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FIRST COUNTRY COOPERATION FRAMEWORK FOR CAMBODIA (1997-2000)

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INTRODUCTION

1. The first country cooperation framework (CCF) for Cambodia covers the period 1997-2000, which coincides with the country's first Socio-economic Development Plan, 1996-2000, and the country programmes of the United Nations Population Fund, United Nations Children's Fund (UNICEF), and the World Food Programme (WFP). It represents an agreement between the Royal Government of Cambodia and UNDP on how best UNDP core and non-core resources can be programmed to meet the evolving capacity development needs of the country.

2. The strategy and the programme structure underpinning the CCF is derived from the UNDP Advisory Note presented to the Government in May 1997, and the terminal review of the previous country programme. The preparation of the Advisory Note and the CCF entailed extensive consultations between the Government, UNDP, the United Nations agencies and their development partners, including non-governmental organizations (NGOs) and community groups.

I. NATIONAL DEVELOPMENT SITUATION

3. While categorized as a least-developed country and ranked 156 out of 174 countries in terms of human development achievements, Cambodia is moving ahead in establishing conditions for long-term development. Following the 1993 elections the current coalition Government has taken important steps, albeit in a complex political environment, towards forging national reconciliation. The Government has become progressively involved in development activities at the local level, although these are still largely funded and executed by donors.

4. Despite severe weaknesses in manpower capability and inadequate policy planning capacity, the Government has instituted systems and processes for defining national development priorities centred on achieving "sustainable development with equity and social justice", as stated in the Socio-economic Development Plan. "Eradicating poverty is the single-most important long-term goal" of the Plan. Realization of these stated goals will, however, depend on accelerated improvements in national implementation capacity and sustained political support.

5. Measures have been taken to stabilize the economy, which has been growing at an annual average rate of about 6 per cent in the past three years, with per capita income increasing to US$ 287 in 1995 (from US$ 130 in 1990). Inflation and exchange rates have been stabilized, balance of payments improved and incentives for private sector development and foreign investment are yielding good economic returns. These measures underpin Cambodia's bid for securing membership in the Association of South-East Asian Nations (ASEAN).

6. While important progress has been realized in a relatively short period, Cambodia's development challenges call for a persistent effort towards achieving a pattern of development that is people-centred and sustainable. Four broad categories of challenges facing Cambodia can be discerned.

7. First, Cambodia is emerging from over 25 years of externally generated conflict and internal civil strife, including more than 15 years of virtual isolation from the international community. Until recently, intermittent attacks by rebels in the provinces caused insecurity and displacement. The presence of anti-personnel mines and unexploded ordnance in the rural areas remain a threat to people's lives. Breakdown of physical and administrative infrastructures, coupled with the rupturing of the social fabric make resettlement and community development particularly difficult.

8. Secondly, the Government faces a major task of instituting appropriate governance and development management systems based on the establishment of the rule of law. This is essential for managing the country's transition process towards democratic governance and a liberalized, market-based economy, while ensuring social protection and equity, and conserving the country's environment and natural resource base. Progress in the reform of public administration will determine the impact of development effort pursued in any area.

9. Thirdly, the economic transition process itself is raising concern because of its impact on the living conditions of the poor and the vulnerable, especially in a situation where the country's poverty situation is already acute, with an estimated 40 per cent of the population living below the poverty level, largely (90 per cent) in rural areas. Recent gains in economic growth and income have occurred mainly in Phnom Penh, while regional, occupational and gender disparities in income and access to resources are believed to have widened.

10. Finally, having received generous international assistance during and after the recent emergency phase, and in the light of the global decline in aid, the Government is aware that the present level of Official Development Assistance inflow may not be sustained in the near future. The Government is intent on enhancing its absorption and implementation capacity to maximize the impact of aid. Equally, Cambodia must strive to regain a standing in the regional and world community, and to subscribe to and act on international treaties.

II. RESULTS AND LESSONS OF PAST COOPERATION

11. Consistent with the strategy of the previous country programme, UNDP cooperation has been successfully converted from an emergency-related relief and rehabilitation operation to that of programme support for developing national capacity at the local and central levels for long-term development. By the end of 1996, 68 per cent of the total UNDP programme expenditures was allocated to the broadly categorized programme area of "poverty alleviation and decentralized and participatory development" (including demining), with the remainder allocated to macroeconomic management, institutional reforms and governance (12.4 per cent); natural resources and environment management (3.2 per cent); aid coordination, development information management and programme operations support (2.3 per cent); and infrastructure investment related programmes (14.7 per cent). Interlinkage between these programme components has progressively been strengthened, while policy dialogue and advocacy have gained increased prominence. The evolution and conversion into a longer-term framework was facilitated by a systematic evaluation of programme activities at both

subprogramme and project levels. Several development partners, notably Sweden and the Netherlands, joined the Government and UNDP in subprogramme reviews, project evaluations and redesign. This has fostered multiple programming, funding and implementation arrangements with an increased number of partners. Monitoring, however, continues to be hampered by lack of data and the necessary analysis.

12. UNDP support to the formation of local governance structures has contributed to bringing about social cohesion and socio-economic progress at the provincial and lower levels. Experience derived over the past three years demonstrates that participatory development and decentralized interventions at the local level are not only effective in generating local development, but also make a difference to people's lives. The desired impact has been more limited when cooperation has been directed at policy and regulatory developments, and institutional capacity-building at the level of central government. The effectiveness of these much needed capacity-building interventions can be increased as the Government makes progress in reaching consensus on policy decisions, in streamlining weak decision-making processes and structures along with concerted high-level policy support, in upgrading the professional character of the public service, and in providing an adequate budget and incentives.

13. UNDP has contributed to certain national initiatives generally considered to be politically sensitive. As a neutral and impartial partner, UNDP has proven itself in such areas as public administrative reform, decentralization and participatory development, enhancing the electoral process, and certain aspects of environmental policy and legislation.

III. PROPOSED STRATEGY AND THEMATIC AREAS

14. The central objective of the CCF for 1997-2000 is to develop and institutionalize national, Cambodian capacities to plan and implement programmes for alleviating poverty, especially in respect of the rural areas.

15. A principal strategy is to pair capacity-building for promoting local level socio-economic development and governance with institutional strengthening at the central and provincial levels. The emphasis will be on establishing the necessary conditions and mechanisms for sustainability and scaling-up participatory development programme interventions, including establishment of local governance structures and processes. Their realization will be reinforced by UNDP support to the ongoing national public administration reform, including the development of decentralized decision-making capacity and a system of decentralized public service. The appropriate role of civil society and participation of NGOs will be further drawn into the mainstream of programme activities. Cambodia's integration into the subregional and regional groups - and by extension the global economy - will continue to receive UNDP support as it can have a profound impact on the country's economy and governance systems.

16. Four areas have been identified and agreed upon for UNDP cooperation with Cambodia under the current CCF. These respond to both the country's priority

goals and the UNDP mandate, and strategically complement or draw in support by other donors.

A. Local socio-economic development and governance

17. The Socio-economic Development Plan recognizes that a long-term, sustained attack on poverty would require the adoption of a broad-based growth strategy that allows wider and more equitable access among people and regions to the fruits of that growth and ensures inter-generation sustainability. The emphasis is placed on rural development with communities empowered to assume greater decision-making roles. The Cambodia Area Rehabilitation and Regeneration programme will continue to constitute a major UNDP support programme for alleviating rural poverty. The provision of direct support for income-generating activities, small rural infrastructure investments, and essential social services combined with capacity development in the formation of local governance structures and provincial administrations are important features of the Cambodia Area Rehabilitation and Regeneration programme. Using social mobilization as an instrument for organizing communities into cohesive groups, the programme has steered the formation of elected Village Development Committees, Commune Development Committees and Provincial Rural Development Committees.

18. In 1995 the Government adopted the UNDP/United Nations Office of Project Services Cambodia Area Rehabilitation and Regeneration programme-demonstrated development strategy as a national experiment under the name SEILA ("foundation stone" in Khmer). The Cambodia Area Rehabilitation and Regeneration programme and other donor support will be situated within the framework of the SEILA initiative. The CARERE budget is being supplemented by co-funding from the United Nations Capital Development Fund, the Netherlands, Sweden and the European Union. Further, complementary support of the Food and Agriculture Organization of the United Nations (FAO), the International Labour Organization (ILO), UNICEF, WFP and the World Health Organization, along with collaborative arrangements with international and national NGOs are expanding the scope and delivery capacity of the SEILA/Cambodia Area Rehabilitation and Regeneration programme. With increased political support and budgetary commitment from the Government, this initiative is expected to be converted into a national programme for promoting local economic development through the strengthening of local governance structures and the promotion of participatory and decentralized planning and provision of public services and financing. As already demonstrated, the SEILA initiative has the potential to bring about social cohesion, behavioural change and organization in the village and commune settings in regions where the social fabric and production organization had been largely disrupted or even dismantled during the country's prolonged war. It will also serve to reintegrate former Khmer Rouge-held territories into the country.

19. Micro and small credit is crucial for rural income-generating activities. UNDP/ILO support has been successful in developing the management and credit operations of the Association of Cambodian Local Economic Development Agencies, a national NGO providing credit to the poor, especially women who represent 80 per cent of the Association of Cambodian Local Economic Development Agency's

clients. Further UNDP support will be aimed at transforming the Agency into becoming a bank for the rural poor - in line with the approach expressed in the Government/International Monetary Fund's (IMF) Policy Framework Paper - including the forging of new partnerships arrangements such as with the International Finance Corporation.

20. Combating urban poverty in Phnom Penh, where more than 30 per cent of its citizens live in poverty, is receiving UNDP/United Nations Centre for Human Settlements support with co-funding from the United Kingdom-Department for International Development. Under the CCF, the project will facilitate collaboration between local squatter communities and the Phnom Penh municipality for joint problem-solving and testing of viable resettlement schemes for the urban squatters.

21. Strengthened local institutions and active community participation enhance the effectiveness of demining and mine awareness programmes of the Cambodia Mine Action Centre and facilitate the integration of mine clearance into national reconstruction plans. UNDP cooperation for institutional strengthening, coordination and administration of the multi-donor trust fund, and channel for military advisers with expertise in mine clearance and explosive ordnance disposal, will continue to be needed to enable accelerated operations for humanitarian demining.

22. UNDP, as chair of the United Nations-Disaster Management Team, will be relied upon by the Government to assist in coordinating donor response to meeting emergency needs of the populations vulnerable to natural disasters. UNDP cooperation has been secured to define roles and functions and to develop the operational capacity of the National Committee for Disaster Management and the Cambodian Red Cross.

B. Development management and public administration reform

23. The Government recognizes that the eradication of poverty will depend crucially on the successful implementation of its macroeconomic and public administration reform programmes. Macroeconomic and development management must be directed at generating a broad-based pattern of growth impacting particularly on the rural economy. Public revenue generation needs to be strengthened and modernized, and public sector budgets should reflect priority programme requirements with increased allocations to development expenditures.

24. In the previous country programme period, assistance was provided by UNDP, the World Bank and the Asian Development Bank (AsDB) to build - in a concerted manner - the Government's administrative capacity to undertake public investment programming, fiscal management, financial/monetary sector development (with IMF), development planning and aid coordination and management, formulated as part of the National Public Investment Management System. Simultaneously, with UNDP cooperation, in collaboration with France, in particular, and the EU, the Government has made progress in building certain organizational capacities in public administration which can positively impact on the performance in economic management. UNDP assistance under the CCF will be utilized to further operationalize the National Public Investment Management System. This will

result in improved public investment management along with the establishment of institutional linkages for the integration of planning, investment programming and budgeting, with the capability of having a vertical linkage with provincial level systems. As an integral part of this programme, continued UNDP support is requested to increase the Government's aid coordination and management by improving the institutional and functional linkages between the Council for the Development of Cambodia , ministries and provincial administrations. UNDP will also continue to be called upon to support in-country donor coordination in areas of UNDP concentration as well as to facilitate the Government's participation in the World Bank-sponsored Consultative Group process.

25. In support of macroeconomic management, UNDP/IMF cooperation will help develop the capacity of the Ministry of Economy and Finance to conduct fiscal and financial policies for a sound and stable macroeconomic environment. This will enable the Government to manage effectively the economic transition process, supportive of private sector development and allocation of public resources to meet priority human development programmes. A collaborative effort is foreseen with the World Bank, IMF, UNICEF and UNDP to help conduct a first public expenditure review. UNDP/World Bank/Swedish International Development Agency support has been obtained to develop a system of household surveys to establish the statistical database for poverty situation analysis, policy analysis and restructuring public budget with a sharper focus on poverty eradication. As part of this, the first National Human Development Report and a Common Country Assessment will be prepared. These will constitute effective instruments for advocacy, dialogue with donor partners, and enhanced poverty reduction operations. With emphasis on developing the institutional capacity for poverty-related data collection and analysis by relevant national institutions, a sustainable national system for socio-economic monitoring will be in place by the end of the CCF period.

26. Integration into subregional and regional co operation frameworks is of strategic importance to Cambodia. With UNDP support the Government is developing a strategy and determining institutional arrangements and policy measures for gaining membership and taking its place in ASEAN. Likewise, continued technical support of UNDP will be utilized to enable the Cambodian National Mekong Committee and relevant government ministries to play an expanded role in the Mekong River Commission.

27. UNDP ongoing support to the national public administration reform programme will be more functionally-oriented with more direct effect on the actual performance of development management. This will concentrate on three interrelated areas: legal and regulatory frameworks and institutional and organizational structures needed for the execution of macroeconomic functions embodied in the National Public Investment Management System; management capability to undertake necessary policy and institutional reforms for enhancing health and education services delivery; and enhanced operational and institutional capacity at the provincial and lower levels of the administration, as is being promoted by SEILA. This combination of support interventions, being complementary to other donors' support, is expected to have a significant impact on modernizing Cambodia's public service, and capable of delivering decentralized services closer to the people.

28. Furthermore, UNDP ongoing cooperation with the United Nations Centre for Human Rights, thus far with contributions by Denmark and Norway, supportive to the establishment of the rule of law, will be further utilized to strengthen the functional ability of the National Assembly, including its Committee for Human Rights. Continued support from UNDP will be needed to upgrade the capability and effectiveness of the judiciary, including the judicial mentor programme. In response to Government's request, UNDP will coordinate and help to mobilize and programme international technical support for the upcoming commune and national elections.

C. Human capability retention, expansion and utilization

29. The Socio-economic Development Plan recognizes the critical importance of human resource development in alleviating poverty. A priority concern is to develop basic education and technical/vocational skills to address the acute problem of low human capability and the suboptimal utilization of the stock of available human resources. The Government welcomes UNDP/ILO ongoing cooperation (in collaboration with AsDB) in implementing the National Vocational Training Strategy (earlier developed with UNDP/ILO/German Agency for Technical Cooperation support) aimed at developing institutional, organizational and technical capability for policy planning and programme development for basic and vocational skills of the labour force. Special efforts are being made to reach women in the rural and peri-urban areas, and to enable them to be productively engaged in agriculture, agro-based and trade-related service activities.

30. Building on the ongoing UNDP/United Nations Educational, Scientific and Cultural Organization support to education development, further opportunities for upscaling institutional capacity for improved delivery of education services are being explored, in conjunction with SEILA/Cambodia Area Rehabilitation and Regeneration programme, national public administration reform programme and National Public Investment Management System programmes, and in response to the Amman Affirmation of the World Declaration on Education for All in June 1996. Furthermore, as a follow up to the UNDP paper presented at the 1996 Consultative Group meeting, the Government welcomes UNDP cooperation in outlining a strategy for human resource development in regard to the evolving employment and labour market.

31. In 1995, the Ministry of Health, in partnership with UNDP/WHO/UK-DFID and UNICEF, initiated a process of administrative reform to improve its institutional capability in decentralized planning and delivery of public health services. Continued UNDP partnership involvement is requested in support of the Ministry's administrative reform programme. This support will result in improvements in the delivery of health services at the local level (through SEILA), improved institutional capacity at the national and provincial levels for policy and programme planning, strengthened institutional responsiveness to health service requirements, and improved financing and cost-recovery mechanisms for the delivery of health services.

32. Strategies for developing human capability and optimizing its utilization must address the gender issue that underlies equality of opportunities for men and women as expressed in the Cambodian Constitution. In line with national

policy, increased participation of women in socio-economic and governance activities will be forged through all forms and levels of UNDP cooperation, concentrating initially on three support programmes. These are the national public administration reform programme to develop Government's institutional capability for gender-specific data collection, policy analysis and strategic planning to ensure that gender issues are adequately addressed in plans, programmes and budgetary allocations; the SEILA/Cambodia Area Rehabilitation and Regeneration programme to empower women for their expanded participation in local governance, social and economic affairs and to directly benefit from local economic development activities; and the Association of Cambodian Local Economic Development Agencies for a sustained flow of micro credit, especially to women.

33. Weaknesses in the health services, and prevailing sociocultural and economic conditions, aggravated by poverty, are major factors responsible for the spread of HIV/AIDS in Cambodia. UNDP is requested to develop the capacity of the National AIDS Committee to carry out impact analysis and, as one of the partners in UNAIDS, to assist in operationalizing the national AIDS programme. Additional funds are to be mobilized to sustain and expand successful pilot programmes thus far supported by UNDP, i.e., an outreach programme for street children and a peer education programme for the military.

D. Environment regeneration and natural resource management

34. Environmental degradation and unsustainable exploitation of natural resources are of serious concern in Cambodia. The 1996 UNDP/World Bank/FAO forest sector review has raised important policy issues for sustainable resource management. With continued UNDP support to data collection, analysis, policy and regulatory processes, institutional development, public awareness and support to Government-donor dialogue, the Government intends to make important progress in natural resource management (including ongoing UNDP/FAO support to forest inventory) and environmental regeneration.

35. Global environment facility funding for enabling activities in biodiversity and climate change is expected. UNDP support to the Tonle Sap Lake Region through the Cambodian National Mekong Committee will provide critical data, recommendations, and assistance to coordination. This will enable the Government to draft and implement appropriate usage and institutional legislation to protect this area on which over 40 per cent of the country's population is dependent. These activities will be closely interlinked with those under UNDP subregional support to the Mekong River Commission.

IV. MANAGEMENT ARRANGEMENTS

A. Execution and implementation

36. With the development of the National Public Investment Management System, the Government would expect UNDP and all other donor assistance to be progressively managed within the context of the national planning and resource coordination and budgetary processes. This will enable the assumption of responsibility by national authorities for the overall management of externally

assisted programmes, including design and monitoring of national programme frameworks. In view of the persistence of capacity constraints in government administration and other national entities, it will not be feasible to pursue national execution - as defined by UNDP - as the predominant execution modality for the CCF period. Nonetheless, various modalities for local execution, and implementation by governmental and non-governmental agencies as well as directly by target beneficiaries are being explored and promoted. The UNDP Country Office in Cambodia is requested to provide enhanced support to project execution and implementation, including accounting and financial management and facilitating audit of national execution projects.

37. The expertise of United Nations specialized agencies and cost-effective services of United Nations Volunteers specialists will be secured for implementing project activities, while the involvement of national expertise will be maximized as its supply increases. Use of the UNDP-administered Transfer of Knowledge Through Expatriate Nationals and technical cooperation among developing countries schemes will be further pursued. The positive experience in UNDP partnership with local and international NGOs will be further explored in such areas as grass-roots community development, social mobilization at the local level, advocacy work in relation to HIV/AIDS, human rights and other programmes. NGO participation in project monitoring and evaluation as well as, where relevant, policy dialogue will also be encouraged.

B. Monitoring, review and evaluation

38. At the project level, the Tripartite Review and Steering Committee mechanisms will be used with greater rigour for management decisions on project reviews and performance evaluations. A triannual review of the CCF will be organized in 1999 between the CDC and the UNDP Country Office, in cooperation with relevant national institutions, United Nations agencies, and partner donors and NGOs. UNDP will assist the Government to develop a structured system for monitoring and evaluation of national programmes, as part of the NPIMS.

C. Resource management

39. The expected level of core and non-core (co-funding) resources available during the CCF period is summarized in the following annex.

Annex

Resource mobilization target table for Cambodia (1997-2000)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	11 259	
TRAC 1.1.1	20 073	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
TRAC 1.1.3	3 000	
Other resources		
SPPD/STS	1 662	
Subtotal	35 994[a]	
NON-CORE FUNDS		
Government cost-sharing		
Sustainable development funds GEF	 750	
Third-party cost-sharing	14 200	
Funds, trust funds and other Special purpose trust funds UNCDF	47 407 of which: 37 500 9 907	
Subtotal	62 357	
TOTAL	98 351[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: GEF = global environment facility; IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core; UNCDF = United Nations Capital Development Fund.